



Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

Testimony – Assembly Bill 244

Regarding restricting eligibility for the Homestead Tax Credit

Good morning. Chairman Murtha, members of the committee.

Restricting eligibility for the Homestead Tax Credit is an issue that was brought to my attention back in January by Louise Gudex, the Executive Director of the Fond du Lac City and County Housing Authority. You will also receive a copy of the testimony she is submitting in her absence today. This issue is costing the state millions of dollars by allowing recipients to receive a double subsidy for the same purpose.

Under this bill as currently drafted, a Homestead Credit claim is not allowed during the portion of the year the claimant or any member of the claimant's household receives a housing subsidy under Section 8 of the federal government's general program of assisted housing. As I researched this bill further we found that there are additional government subsidized federal rental programs available beyond Section 8 housing, and I will be offering an amendment to fix this oversight. It was my intention, as the amendment will state, to make ineligible any individual that "receives a housing subsidy from the federal or state government that is based on income, in the year to which the claim relates." This amendment will cover any current federal programs that are in place or any future ones that the state may authorized.

Currently, the state of Wisconsin is giving tax credits on top of those who already obtain federal housing benefits because of their income status. The Homestead Credit's original purpose was set up to help those on fixed incomes, mainly seniors. An excerpt from the Informational Paper #24 states, "In 1964, Wisconsin pioneered the circuit breaker approach to property tax relief by establishing the homestead tax credit to relieve low-income homeowners and renters aged 65 or older of excessive property taxes." As you may know, the age restriction does not apply anymore and the Homestead Credit has become an income-based relief program.

This would not be the first restriction placed on the Homestead Credit subsidy. Informational Paper #24 lists eight current restrictions. For example one cannot claim the credit if at the time of filing the claimant is a nursing home resident participating in the medical assistance, or a credit cannot be received for any month in which the claimant received \$400 or more of cash benefits under a county relief program. This bill would add a further exclusion disallowing the Homestead Credit for anyone already receiving any federal housing subsidies.

Section 8 housing rent rates are based on income. For Public Housing and Section 8 new construction, the tenant pays 30% of their adjusted income for rent. The adjustments are: medical expenses (if handicapped or disabled), dependent deduction, elderly deduction, utility allowance, or child care expenses. Rent calculations are the same regardless if they are owned by a Housing Authority or a private company. The gap in actual rent and what the renter pays is covered by the federal government.

Over →

Serving the City of Fond du Lac and the Communities of North Fond du Lac, Eldorado, Taycheedah and Friendship

Individuals using Section 8 subsidy are already receiving a generous housing benefit from the federal government and as it stands are able to also qualify for state's Homestead Tax Credit. This practice is duplicative and the state should not provide a benefit on top of another for the same purpose. Some might even look at this as another episode of "double dipping." This is yet another example of the federal and state government working in opposition to one another by providing multiple benefits for the same purpose at a loss of taxpayer dollars.

Lastly, as the only fiscal estimate indicates, there is an estimated \$13.3 million annual savings for simply the Section 8 housing recipients. I will be waiting for a revised estimate that includes all of the federal housing subsidy programs and make sure the committee is notified when it is completed.

Thank you.

Numbers on Housing Units available under Section 8

Housing Authority	Public Housing Units	Section 8 New or Rural Development 515
Abbotsford	30	40
Adams County		91
Albany	31	
Algoma	39	
Altoona	36	
Amery	55	80
Antigo	84	200
Appleton	211	
Ashland	137	30
Ashland County	40	4
Baraboo	50	61
Barron	30	
Barron County		70
Bayfield		98
Beloit	131	
Bloomington		14
Boscobel	46	20
Brillion	54	
Bruce	45	
Burnette	32	52
Chetek	30	
Chilton	44	
Chippewa		
Clear Lake		8
Clintonville	61	
Crawford		30
Cuba City		36
Cumberland	27	40
Dane	86	16
DeForest	36	
DePere	100	
Dickeyville		22
Dodge		165
Eau Claire	109	175
Eau Claire County	17	
Edgerton	105	
Evansville		20
Fond du Lac City	249	100
Fond du Lac County	43	
Frederic	53	
Gilman	2	
Grantsburg	32	

Housing Authority	Public Housing Units	Section 8 New or Rural Development 515
Green Bay	204	
Greenwood	20	
Hartford		45
Hilbert		20
Hillsboro		32
Hudson	57	
Hurley	54	
Jefferson	62	
Juneau		108
Kaukauna	74	
La Crosse	601	173
La Crosse County	128	66
Ladysmith	40	
LaFayette		77
Lake Mills	63	
Lancaster		112
Lincoln	20	64
Loyal	8	16
Luck	16	
Madison	755	
Manitowoc	102	
Marinette	76	83
Marshfield	208	
Mauston	50	
Menomonie	128	26
Mercer	48	
Merrill	102	110
Milwaukee	4402	
Minong		12
Mondovi	26	
Monroe	86	
Monroe County		100
New Auburn (c/o Chippewa HA)		12
New London	63	
New Richmond	40	
Oconto	75	
Oneida County		22
Osceola	30	
Oshkosh	336	120
Outagamie		240
Park Falls	35	
Pepin		102
Peshtigo	40	20

Housing Authority	Public Housing Units	Section 8 New or Rural Development 515
Plymouth	50	
Polk		102
Portage		88
Prairie Du Chien	38	
Prescott		48
Pulaski	20	8
Racine	10	24
Reedsville	27	64
Rhineland	50	
Rice Lake	126	81
Richland Center	62	
River Falls	70	106
Rusk		48
St. Nazianz		19
Sauk City	40	
Sauk County		38
Sawyer		48
Shawano	146	
Shawano County	202	
Sheboygan	240	49
Shell Lake	29	
Slinger	49	
South Milwaukee CDA	60	
Sparta	57	
Spooner	40	
Spring Valley	16	28
Stanley	50	
Stevens Point	278	80
Superior	464	
Thorp	60	
Tomah	28	
Trempealeau	60	146
Viroqua	130	
Washburn	36	40
Washburn County		52
Watertown	80	
Waukesha	268	

Example of CALCULATING OF TOTAL TENANT PAYMENT

1	Total Annual Income		\$	_____
2	3% of Annual Income	\$	_____	
3	Less Dependent Deduction (\$480 per dependent)		\$	_____
4	Less Allowable Child Care Expenses		\$	_____
5	Less Elderly Deduction (\$400 only if head or spouse is at least 62 or handicapped or disabled)		\$	_____
6	Total Medical Expense	\$	_____	
	(Only if head or spouse is handicapped or disabled)			
7	Less Allowable Medical Expenses (Only if head or spouse is handicapped or disabled) Item 6 less Item 2		\$	_____
8	Total Allowances/Deductions		\$	_____
9	Annual Adjusted Income (Item 1 less Item 8)		\$	_____
10	Monthly Adjusted Income (Item 9 divided by 12 months)		\$	_____
11	30% of Monthly Adjusted Income = TOTAL TENANT PAYMENT		\$	_____

Calculation of Tenant Rent for Housing Choice Voucher Program

	Contract Rent	\$	_____	
	Plus Utility Allowance		_____	
	Gross Rent	\$	_____	
Total Tenant Payment	\$	_____	Contract Rent	\$
Less Utility Allowance		_____	Less Tenant Rent	_____
Tenant Rent	\$	_____	Housing Assistance Payment	\$

Calculation of Tenant Rent for Public Housing Program

Total Tenant Payment	\$	_____
Less Utility Allowance		_____
Tenant Rent	\$	_____

Homestead Tax Credit Program – Assembly Bill 244

I support Assembly Bill 244. The Housing Authority of the City of Fond du Lac owns 249 Public Housing units and 100 units of Section 8 New Construction. The Fond du Lac County Housing Authority owns 43 Public Housing units and assists approximately 430 families monthly under the Section 8 Housing Choice Voucher Program.

The Housing Authority of the City of Fond du Lac pays the City of Fond du Lac payment in lieu of taxes for our Public Housing units and Section 8 New Construction development. The Fond du Lac County Housing Authority pays the Village of North Fond du Lac payment in lieu of taxes for our Public Housing units located in the Village of North Fond du Lac. There is no relationship between what the Housing Authority pays both municipalities for payment in lieu of taxes and what the tenant pays for rent. These families should not be eligible for the Homestead Tax Credit Program.

Tenants under Public Housing and Section 8 New Construction pay 30% of their adjusted income for housing. The Housing Authority takes into consideration medical expenses, childcare expenses, etc when calculating the tenants rent.

There are privately owned HUD Section 8 New Construction units located in the City of Fond du Lac. They include: Riverview Apartments, Portland Square, Oakwood Apartments, Lakeside Gardens and Maplewood Commons. These owners do pay property taxes but the tenants pay rent based on their income. There is no relationship between what the tenant pays for rent and what the owner pays in property taxes. These families should not be eligible for the Homestead Tax Credit Program.

The Homestead Tax Credit Program in its current form needs to be updated and revised. When claiming for Homestead, tenants are not required to have their landlord sign the rent certificate. There are no checks and balances in the system which creates fraud and abuse. Due to this situation, a few years ago some prisoners at Taycheedah filed and received Homestead.

The Wisconsin Department of Revenue should be able to create a data base of all project based federally subsidized housing programs. These programs include: Public Housing, Section 8 New Construction, Section 8 Project based vouchers, Rural Development, etc.

Programs for low and moderate income families are necessary and desirable. We need programs like the Earned Income Tax Program, Badgercare, etc. However, the Homestead Tax Credit Program has no checks and balances and needs to be changed.

Louise M. Gudex, Executive Director
Housing Authority of the City of Fond du Lac
And Fond du Lac County Housing Authority
15 North Marr Street
Fond du Lac, WI 54935

Wisconsin Coalition to End Homelessness

Memorandum

Date: November 1, 2011
To: Chairman Murtha and Members, Assembly Housing Committee
From: Pat Osborne on behalf of the Wisconsin Coalition to End Homelessness
Re: **Opposition to Assembly Bill 244**

The Wisconsin Coalition to End Homelessness (WCEH) is a statewide consortium of homeless shelter directors, social service professionals and other individuals and groups dedicated to ending homelessness in Wisconsin. The focus of the Coalition is to sustain and enhance services for homeless individuals and families.

WCEH appreciates the opportunity to submit this testimony in opposition to Assembly Bill 244.

The most recent data from the DOA Division of Housing shows that demand for emergency shelter services was up in 2010 over 2009 and up again in 2011 over 2010 by 9% based on a comparison of mid-year levels. The data underscores a negative trend of increased homelessness in Wisconsin and, likely, the impacts of a prolonged economic recession on low-income families and individuals. It also underscores our concern with Assembly Bill 244, which we believe erodes affordable housing policy in Wisconsin.

The state homestead tax credit is one of the policies the state has put in place to help make housing more affordable; it is designed to soften the impact of property taxes and rent on persons with lower incomes. AB 244 is contrary to that purpose and makes a whole category of low income people ineligible for the credit. Under the bill, an eligible low income person is made ineligible for the homestead credit if the rent they pay is even partially subsidized under a HUD Section 8 housing voucher program.

The HUD section 8 Housing Choice Voucher program is one of the policies employed by the federal government to help people stay out of, or get out of, homeless shelters. It is designed to help very low-income families, the elderly and disabled afford decent housing in the private market. Under the program, a housing subsidy is paid by the area public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. AB 244 would preclude such a family from claiming any amount of homestead tax credit for rent paid.

Under current law, a claimant for the homestead tax credit may not include the portion of rent paid by a section 8 subsidy as gross rent in the computation of homestead credit. Further, if a subsidy is paid directly to the claimant, rather than through a public housing authority on behalf of the claimant, the subsidy is included in the claimant's household income. In other words, current law already excludes the subsidy portion of federally supported housing from the calculation of eligible credit under the homestead tax. Again,

the effect of AB 244 is to preclude an otherwise eligible claimant from applying for homestead credit at all — even for that portion of rent paid entirely by the claimant.

The Department of Revenue (DOR) indicates in the AB 244 fiscal note that they cannot accurately determine the fiscal effect of the bill on eligible low income claimants who also receive assistance under HUD voucher programs. However, based on the assumptions used by DOR to estimate impacts — **the bill represents an average tax increase of \$503 per year for approximately 26,500 Wisconsin taxpayers.** This proposed tax increase would be levied on households that earn less than \$24,680 per year.

We cannot definitively say that a \$500 tax increase would result in forcing people out of their homes and into the streets; but we do maintain that such a tax consequence would be particularly difficult for low-income families to absorb.

In closing, both the state homestead tax credit and the federal Section 8 voucher program are intended to help low-income families achieve greater economic self-sufficiency. Both programs are elements of supporting permanent housing solutions to homelessness. These mutual objectives should be encouraged rather than discouraged through measures such as AB 244.

Thank you for your consideration.

For Further Information Contact:

Pat Osborne at (608) 258-9506 or email osborne@hamilton-consulting.com